LIBRARY
SUPREME COURT, U. S.
Supreme Court, U. S.
FILED
MAR 27 1975
MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

..... TERM, 197..

No. 74-1218

ALLEN HOMES, INC.,
Petitioner,

vs.

JACK WEERSING and ELK RIVER HOMES, INC.,
Respondents.

PETITION FOR A WRIT OF CERTIORARI

To the United States Court of Appeals for the Eighth Circuit

ANTHONY S. ZUMMER
134 South LaSalle Street
Chicago, Illinois
Attorney for Petitioner

St. Louis Law Printing Co., Inc., 812 Olive Street 63101 314-231-4477

INDEX

	Page
Prayer	1
Opinion Below	2
Grounds on Which Jurisdiction of This Court Is Invoked	2
Question Presented	2
Statement of the Case	3
Argument	9
The Eighth Circuit Position	9
The First Circuit	10
The Third Circuit	10
The Fifth Circuit	11
The Seventh Circuit	11
Restatement of Torts	12
Callmann	12
Conclusion	13
Appendix—	
Opinion of the Court of Appeals	A-1
Memorandum and Order of Trial Court	A-6
Order of Trial Court, denying Defendants' Motion Under Rule 52(b)	A-13
Order of Trial Court, denying Plaintiff's Motion Under Rule 52(b)	A-14

CITATIONS

Cases

Alpine Motor Lodge, Inc. v. Thompson, 324 F.2d 374 (C.A. 5—1963) 11

Ambassador East, Inc. v. Orsatti, Inc., 257 F.2d 79 (C.A. 3—1958) 10

Gemex Company v. J & K Sales Company, Inc., 76 F. Supp. 150 (D.C. R.I.—1947) 11

J & K Sales Company, Inc. v. Gemex, Inc., 166 F.2d 569 (C.A. 1—1948) 10

Thompson v. Alpine Motor Lodge, Inc., 296 F.2d 497 (C.A. 5—1961) 11

Tisch Hotels, Inc. v. Americana Inn, Inc., 350 F.2d 609 (C.A. 7—1965) 11

Statutes

15 U.S.C. § 1121 3

28 U.S.C. § 1254(1) 2

28 U.S.C. § 1338 3

F.R.Civ.P., 52(b) 8

Miscellaneous

Restatement of Torts, § 732 .....9, 12

Callmann, The Law of Unfair Competition, Trademarks and Monopolies (3rd Ed. 1969), §§ 76.3, 76.3(b), and 76.3(b)(1) 9, 12, 13

IN THE

SUPREME COURT OF THE UNITED STATES

..... TERM, 197..

No. .....

ALLEN HOMES, INC.,
Petitioner,

vs.

JACK WEERSING and ELK RIVER HOMES, INC.,
Respondents.

PETITION FOR A WRIT OF CERTIORARI

To the United States Court of Appeals for the Eighth Circuit

Now comes Petitioner, Allen Homes, Inc., a corporation existing under the laws of the State of Washington, by Anthony S. Zummer, of the Bar of this Court, and presents this Petition for Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit, and represents as follows:

Petitioner, Allen Homes, Inc., a corporation of the State of Washington, by Anthony S. Zummer, of the Bar of this Court, respectfully prays that Writ of Certiorari issue to review the

judgment of the United States Court of Appeals for the Eighth Circuit in the below-identified cause, which judgment affirmed a judgment of the United States District Court for the Western District of Missouri.

OPINION BELOW

The opinion of the United States Court of Appeals for the Eighth Circuit (A-1)* is not yet published in official reports; but is designated in the two cases involved as Numbers 74-1325 and 74-1353 in the records of the United States Court of Appeals for the Eighth Circuit.

GROUNDS ON WHICH JURISDICTION OF THIS COURT IS INVOKED

The judgment of the United States Court of Appeals for the Eighth Circuit was entered on February 7, 1975. The jurisdiction of this Court is invoked under the provisions of 28 U.S.C. § 1254(1); and because of the need for this Court to harmonize conflicting and irreconcilable holdings between the United States Court of Appeals for the Eighth Circuit and United States Courts of Appeals for other circuits.

QUESTION PRESENTED

Does Plaintiff, who manufactures and sells goods under a trademark in the Northwest from one manufacturing plant, engages in national advertising of the goods under the trademark, and commences manufacture and sale of the goods under the same trademark in the Midwest from a second manufacturing

---

* Reference is to page number of the Appendix.

plant, have a right of action against a second user, who sells the same goods under the same trademark in the Midwest and commenced sale of the goods after Plaintiff's use in the Northwest, after Plaintiff commenced manufacturing the goods in its second manufacturing plant and engaged in national advertising, but before Plaintiff shipped goods with the trademark from the second manufacturing plant into the Midwest?

STATEMENT OF THE CASE

This case is one which involves common law trademark rights. The cause of action was commenced when Plaintiff, Allen Homes, Inc., filed its Complaint in the United States District Court for the Western District of Missouri, alleging that Defendants, Jack H. Weersing and Elk River Homes, Inc., infringed the trademark rights of Allen Homes and unfairly competed with Allen Homes. The Trial Court's jurisdiction was founded upon 15 U.S.C. § 1121 and 28 U.S.C. § 1338.

Plaintiff manufactures and sells mobile homes under the trademark FOUR SEASONS. Defendant, Elk River Homes, also manufactures and sells mobile homes under the trademark FOUR SEASONS. Defendant, Jack H. Weersing, is President and principal stockholder of Defendant, Elk River Homes.

Plaintiff started manufacturing and selling FOUR SEASONS mobile homes in the northwestern part of the United States in mid-1969. Plaintiff also commenced building a plant for the manufacture of FOUR SEASONS mobile homes in Kansas in mid-1969. Plaintiff's mobile homes built in the Kansas plant were to be sold in the western part of the Midwest. In early 1969, Plaintiff commenced a national advertising campaign for its FOUR SEASONS mobile homes. Plaintiff commenced building FOUR SEASONS mobile homes in its Kansas plant in January of 1970. Defendant shipped its first FOUR SEASONS

mobile home to a dealer in Missouri on February 18, 1970. On March 2, 1970, Plaintiff completed its first FOUR SEASONS mobile home in its Kansas plant; and shipped that mobile home to Iowa on March 6, 1970. Plaintiff continued to ship FOUR SEASONS mobile homes from its Kansas plant to the western portion of the Midwestern states. Plaintiff notified Defendants of its prior use of the trademark FOUR SEASONS for mobile homes in writing on June 5, 1970 and July 6, 1970. Defendants ignored Plaintiff. Although Plaintiff sold in the critical states of Kansas, Arkansas and Missouri for only a portion of 1970, Plaintiff's sales in Kansas for 1970 were $923,758; in Missouri for 1970, $255,389; and in Arkansas for 1970, $33,335, for a total of $1,212,482. There were negotiations between the parties in late 1971 and early 1972. Plaintiff instituted the action in the Trial Court against the Defendants on April 3, 1972.

Specific dates of occurrence of certain activities of the parties which led up to the Complaint are set forth below in tabular form:

January, 1969	Plaintiff commenced negotiations to build a plant in Junction City, Kansas, for the manufacture of mobile homes.
February 10, 1969	Plaintiff entered into a lease to rent premises for a plant in Olympia, Washington, for manufacture of mobile homes.
February 26, 1969	Plaintiff let construction bids for building a plant in Junction City, Kansas, for manufacture of mobile homes.
April 30, 1969	Plaintiff entered into an agreement for the construction of a plant in Junction City, Kansas, for the manufacture of mobile homes.
May 1, 1969	*The Junction City Union*, a newspaper of general circulation, carried a story that

	Plaintiff would manufacture FOUR SEASONS mobile homes in its Kansas plant for sale in the States of Kansas, Nebraska, Iowa, Missouri, Colorado and Arkansas.
May 13, 1969	Plaintiff completed its first FOUR SEASONS mobile home in its Olympia, Washington, plant.
May 16, 1969	Plaintiff commenced shipping its FOUR SEASONS mobile homes to a dealer in the State of Washington.
June 5, 1969	Plaintiff broke ground for the construction of its plant in Junction City, Kansas, for manufacturing FOUR SEASONS mobile homes.
June 11, 1969	Plaintiff commenced shipping its FOUR SEASONS mobile homes into the State of Oregon.
July 22, 1969	Plaintiff commenced shipping its FOUR SEASONS mobile homes into the State of Alaska.
August 19, 1969	Plaintiff commenced shipping its FOUR SEASONS mobile homes into the State of Idaho.
October 27, 1969	Plaintiff commenced shipping its FOUR SEASONS mobile homes into the State of Montana.
January 19, 1970	Plaintiff commenced building FOUR SEASONS mobile homes in its plant in Junction City, Kansas.
February 18, 1970	Defendants commenced shipping FOUR SEASONS mobile homes from their plant

	near South West City, Missouri, to a dealer in Missouri.
March 2, 1970	Plaintiff completed its first FOUR SEASONS mobile home in its plant in Junction City, Kansas.
March 6, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes from its Junction City, Kansas, plant into Iowa.
March 13, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes from its Junction City, Kansas, plant into Missouri.
March 20, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes to a dealer in Kansas.
March 24, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Oklahoma.
April 3, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into Nebraska.
April 3, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into Colorado.
April 21, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into Utah.
April 22, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Arkansas.
April 24, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into South Dakota.
May 6, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Kansas.
May 7, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Texas.
May 20, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into Arkansas.

June 5, 1970	Defendants received a letter from Plaintiff's counsel, advising Defendants of Plaintiff's prior use and demand that Defendants cease use of the mark FOUR SEASONS for mobile homes.
June 11, 1970	Plaintiff commenced shipping FOUR SEASONS mobile homes into Wyoming.
July 6, 1970	Defendants received a second letter from counsel for Plaintiff, demanding that Defendants cease use of the mark FOUR SEASONS for mobile homes.
July 15, 1970	Plaintiff filed an application to register the trademark FOUR SEASONS in the United States Patent Office.
November 3, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Colorado.
December 8, 1970	Defendants commenced shipping FOUR SEASONS mobile homes into Arizona.
August 8, 1971	Defendants commenced shipping FOUR SEASONS mobile homes into New Mexico.
October 10, 1971	Plaintiff commenced shipping FOUR SEASONS mobile homes into Oklahoma.
December 1, 1971	Plaintiff purchased a plant in Tampa, Florida, for the manufacture of FOUR SEASONS mobile homes.
December 21, 1971	United States Trademark Registration No. 925,798 issued to Plaintiff on the mark FOUR SEASONS.
January 10, 1972	Plaintiff's counsel wrote to Defendants, advising Defendants of issuance of Trademark

	Registration No. 925,798 to Plaintiff and demand that Defendants cease use of the mark FOUR SEASONS.
February 20, 1972	Plaintiff completed its first FOUR SEASONS mobile home in its Tampa, Florida, plant.
March 3, 1972	Plaintiff sold its first FOUR SEASONS mobile home from its Tampa, Florida, plant.
April 3, 1972	Plaintiff filed its Complaint in the United States District Court for the Western District of Missouri against Defendants.

Plaintiff filed its Complaint on April 3, 1972. The parties engaged in extensive discovery. There were several Orders by the Trial Court relating to discovery, none of which are pertinent to the instant matter. On September 11, 1973, the case was called for trial. Depositions were offered by the parties; and Defendants offered the testimony of two witnesses. There was also an Agreed Statement of Facts submitted during the trial. The Trial Court filed its Memorandum and Order on January 17, 1974 (A-6). Defendants filed a Motion Under Rule 52(b) on January 28, 1974; and Plaintiff filed a Motion Under Rule 52(b) on January 28, 1974. On February 28, 1974, the Court denied Defendants' Motion by its Order (A-13). On March 8, 1974, the Trial Court denied Plaintiff's Motion by its Order (A-14). Plaintiff filed a Notice of Appeal on April 4, 1974; and Defendants filed a Notice of Appeal on April 19, 1974. The United States Court of Appeals affirmed the judgment of the Trial Court on February 7, 1975.

ARGUMENT

MAY IT PLEASE THE COURT:

The reasons for granting the Writ are as follows:

The decision of the United States Court of Appeals for the Eighth Circuit is irreconcilable with the decisions of the United States Courts of Appeals for the First, Third, Fifth and Seventh Circuits. The United States Court of Appeals for the Eighth Circuit answered the question presented to this Court in the negative, while the United States Courts of Appeals for the First, Third, Fifth and Seventh Circuits have answered the question in the affirmative. The *Restatement of Torts*, published by the American Law Institute, would also indicate that the answer to the question would be in the affirmative. Furthermore, the well-respected text writer, Dr. Rudolf Callmann, in his widely-accepted treatise *The Law of Unfair Competition, Trademarks and Monopolies, Third Edition*, published by Callaghan & Company, would indicate the answer to the question to be in the affirmative. Whether the United States Court of Appeals for the Eighth Circuit is in error or the other Courts and authorities are in error should be determined by this Court to give the American businessman some direction for the conduct of important business affairs relating to trademarks and expansion of market areas. Clearly, if Plaintiff had commenced use of its mark FOUR SEASONS for mobile homes in the Eighth Circuit and the second user had been across the Mississippi River in the Seventh Circuit, Plaintiff would have prevailed, as will be seen hereinafter. It follows that the irreconcilable differences between the Eighth Circuit and other Circuits should be put to rest.

The Eighth Circuit Position

The Court of Appeals for the Eighth Circuit succinctly sets forth its position in this area of the law when it states:

> "Allen Homes urges that the following factors are sufficient to support its claim: (1) its status as first user, (2) its announced intention to market FOUR SEASONS mobile homes in the midwestern states, (3) its national advertising, and (4) the commencement of erection of its plant in Junction City, Kansas. We disagree." (A-4)

It is respectfully submitted that the Courts of Appeals for other Circuits would disagree with the result reached by the Court of Appeals for the Eighth Circuit, as is set forth below.

The First Circuit

The Court's attention is called to the decision of the United States Court of Appeals for the First Circuit in *J & K Sales Company, Inc. v. Gemex, Inc.*, 166 F. 2d 569 (1948), wherein the Court, in a *per curiam* decision, affirmed the United States District Court for the District of Rhode Island, *Gemex Company v. J & K Sales Company, Inc.*, 76 F.Supp. 150 (1947). From the District Court decision, it is clear that Plaintiff first user started using the marks BARON and BARONESS for watch bracelets on January 17, 1946 and February 12, 1946, respectively; and that Defendant did not use the mark BARON before January 25, 1946 and the mark BARONESS before April 26, 1946. The Court found for Plaintiff without regard to market area, even though Defendant had no knowledge of Plaintiff's prior use.

The Third Circuit

A leading case on identical names in different market areas is *Ambassador East, Inc. v. Orsatti, Inc.*, 257 F.2d 79 (C.A. 3—1958). Plaintiff, Ambassador East, Inc., started using the name PUMP ROOM to identify a dining room in Chicago in 1938. Defendant, Orsatti, Inc., started using the trade name PUMP

ROOM for a restaurant in the city of Philadelphia in about 1951. The Court found that Plaintiff, Ambassador East, is entitled to have its name protected, even though there is substantial distance between Philadelphia and Chicago.

The Fifth Circuit

In *Thompson v. Alpine Motor Lodge, Inc.*, 296 F.2d 497 (C.A. 5—1961), Plaintiff-first user operated "Alpine Lodge" Motel in Macon, Georgia. Defendant operated "Alpine Motor Lodge" Motel one hundred miles away in Tifton, Georgia. The Trial Court dismissed Plaintiff's Complaint. The Court of Appeals reversed, and remanded for a trial on certain questions; but held that the first user had a right of action. In *Alpine Motor Lodge, Inc. v. Thompson*, 324 F.2d 374 (1963), the Court of Appeals for the Fifth Circuit held that "Alpine Motor Lodge" and "Alpine Lodge" are so confusing as to be an encroachment on the rights of each other.

The Seventh Circuit

The Court of Appeals for the Seventh Circuit decided *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, in 1965. The factual situation of the *Tisch Hotels* case is quite similar to the present case, although there was no direct competition between the parties in *Tisch*, as there is in the present case. In *Tisch*, Plaintiffs owned a number of hotels, three of them bearing the name "Americana", the first of which opened in Miami Beach, Florida. Other hotels bearing the same name opened in New York and San Juan, Puerto Rico, in September, 1962, and November, 1962, respectively. Defendants owned and operated two motels in the Chicago area, one of which opened in March of 1957 and the other in April of 1961. Plaintiffs learned of Defendants' use of the word "Americana"; and applied for an application to register "Americana" as a service mark. Regis-

tration was granted on September 11, 1962. Plaintiffs obtained other registrations for "Americana". The Court held that, though the marks are used in different market areas, Defendants' reputation could affect Plaintiffs' business; and, accordingly, held for the first users, Plaintiffs.

Restatement of Torts

Section 732 of the *Restatement of Torts*, published by the American Law Institute, states:

> **"EXTENT OF PROTECTION WITH REFERENCE TO TERRITORIAL MARKETS.**
>
> The interest in a trade-mark or trade name is protected, under the rule stated in § 717, with reference only to territory from which he receives or, with the probable expansion of his business, may reasonably expect to receive custom in the business in which he uses his trade-mark or trade name, and in territory in which a similar designation is used for the purpose of forestalling the expansion of his business."

The comment by the American Law Institute clearly indicates that there should be a recognition of probable expansion of a person's business. It is submitted that the *Restatement* would also indicate that the answer to the question propounded to this Court should be in the affirmative.

Callmann

Dr. Callmann, in his treatise *The Law of Unfair Competition, Trademarks and Monopolies, Third Edition*, discusses in some detail the question of market expansion in § 76.3, entitled "Expansion of Use and Scope of Protection" under the general heading "The Law of Trademarks." Dr. Callmann indicates that

priority is primarily controlling; but recognizes that there is a balance of interest. In § 76.3(b), he discusses the matter of territorial expansion; and, in § 76.3(b)(1), he discusses the advances made in commerce and modern transportation and communications which "defies boundaries and renders static legal concepts obsolete."[1] It is submitted that Dr. Callmann would also indicate that the answer to the question should be in the affirmative.

CONCLUSION

The United States Court of Appeals for the Eighth Circuit holds that the first user of a trademark on certain goods in a first territory has no cause of action against a second user of the same trademark on the same goods when the second user uses the trademark in a second territory, even though the first user announced plans to sell the goods under the trademark in the second territory, built a plant in the second territory to manufacture the goods and commenced manufacturing the goods in said plant prior to the second user's use of the trademark. The Courts of Appeals for the First, Third, Fifth and Seventh Circuits hold contra. The positions of the various Circuits are irreconcilable. This Court should clarify the law in this area of unfair competition to give uniform direction to businessmen operating throughout the entire country, and to have a uniform result in the Federal Courts.

Respectfully submitted

ANTHONY S. ZUMMER
134 South LaSalle Street
Chicago, Illinois
Attorney for Petitioner

---

[1] 3 R. Callmann, *The Law of Unfair Competition, Trademarks and Monopolies*, § 76.3(b)(1), at 312 (3d Ed. 1969).

United States Court of Appeals
For the Eighth Circuit

Nos. 74-1325 and 74-1353

Allen Homes, Inc.,
Appellant and
Cross-Appellee,
v.
Jack H. Weersing and Elk River Homes, Inc.,
Appellees and
Cross-Appellants.

} Appeals from the United States District Court for the Western District of Missouri.

Submitted: October 17, 1974

Filed: February 7, 1975

Before Gibson, Chief Judge, Lay and Stephenson, Circuit Judges.

Stephenson, Circuit Judge.

These cases involve a three count complaint by plaintiff, Allen Homes, for federal trademark infringement, 15 U.S.C. §§ 1051-1127; federal unfair competition, 15 U.S.C. § 1125 (a); and common law trademark infringement. Defendants, Jack H. Weersing and Elk River Homes (Elk River), counterclaimed for false and fraudulent trademark registration. The

trial court[1] held that Elk River had not infringed upon Allen Homes' trademark but that Elk River had not carried its burden on the counterclaim. We affirm.

The case was presented to the court largely on stipulated and undisputed facts. We will recount sufficient facts to dispose of the issues.

Appellant, Allen Homes, began using the trademark FOUR SEASONS on its mobile homes on May 16, 1969. It manufactured the homes in its Olympia, Washington plant and sold them in the states of Washington, Oregon, Alaska, Idaho and Montana (northwestern states). An Allen Homes plant was placed under construction in Junction City, Kansas on June 5, 1969. The record shows that Allen Homes had previously, on May 1, 1969, announced its intention to market FOUR SEASONS mobile homes in Kansas, Nebraska, Iowa, Missouri, Colorado and Arkansas (midwestern states). The announcement appeared in the local Junction City, Kansas newspaper.

The stipulations reveal that Elk River, which sold its first FOUR SEASONS mobile home in Missouri on February 18, 1970, was the first user of the FOUR SEASONS mark in the midwestern states.

On June 2, 1970 Allen Homes sent to Elk River a letter informing Elk River of Allen's prior use of the FOUR SEASONS mark in the northwestern states. The trial court found that this letter was the first notice which Elk River received of any prior use of the FOUR SEASONS mark.[2]

In July of 1970 Allen Homes applied to the United States Patent Office for registration of the FOUR SEASONS mark.

---

[1] The United States District Court for the Western District of Missouri, Honorable John W. Oliver presiding.

[2] The record indicates that Elk River informally learned of Allen Homes' prior use "a few days" before receipt of the letter.

Registration became final in December of 1971. Allen Homes notified Elk River of the registration on January 10, 1972.

Elk River continued to use the FOUR SEASONS mark until February 15, 1972 when it discontinued using the mark and mailed its stock of FOUR SEASONS decals to Allen Homes' counsel.[3] This lawsuit seeking injunctive relief as well as punitive and exemplary damages was filed on April 3, 1972.

I. Allen Homes' Infringement Claims.

The main thrust of Allen Homes' argument is that they were the first users of the FOUR SEASONS mark on mobile homes and that they were therefore entitled to continue to expand their market in FOUR SEASONS mobile homes unhampered by later market entries of others using the same name. They cite *The Trademark Cases*, 100 U.S. 82 (1879).

The trial court relied on the Supreme Court cases of *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918), and *Hanover Milling Co. v. Metcalf*, 240 U.S. 403 (1916). The particular language we find relevant comes from *Hanover* where the Court stated:

> In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.

---

[3] The trial court mentioned this situation and was disposed to comment: "We have sometimes wondered during the processing of this case why plaintiff felt it necessary to seek further relief."

Hanover, supra, 240 U.S. at 415; *see also Gold Master Corp v. Miller,* 380 F.2d 128, 130 (2d Cir. 1967).

Premised upon *Hanover* and *Rectanus* the trial court properly decided that Elk River, having entered the midwestern states to market its mobile homes without prior knowledge of Allen Homes' use of the trademark on mobile homes in the northwestern states, was not liable to Allen Homes for trademark infringement. The trial court's factual findings are supported by the record, and no error of law appears.

Allen Homes urges that the following factors are sufficient to support its claim: (1) its status as first user, (2) its announced intention to market FOUR SEASONS mobile homes in the midwestern states, (3) its national advertising,[4] and (4) the commencement of erection of its plant at Junction City, Kansas. We disagree.

Trademark rights are conferred by *use* of the mark. *Rectanus, supra* at 97; *Hanover, supra* at 413; *Steer Inn Systems, Inc. v. Laughner's Drive-In, Inc.,* 405 F.2d 1401, 1402 (C.C. P.A. 1969); *Modular Cinemas of America, Inc. v. Mini Cinemas Corp.,* 348 F. Supp. 578, 582 (D.N.Y. 1972). *Sweet Sixteen Co. v. Sweet "16" Shop,* 15 F.2d 920 (8th Cir. 1926), is not to the contrary. As the trial court noted, "Unlike this case, the defendants in *Sweet Sixteen* had actual notice of plaintiff's prior adoption and use of the [trademark]."

II. Elk River's Counterclaim.

Elk River has counterclaimed for money damages arguing that Allen Homes' trademark registration was fraudulent. *See Walworth Co. v. Moore Drop Forging Co.,* 19 F.2d 496 (5th Cir. 1927); *Bart Schwartz Int'l Textiles, Ltd. v. F.T.C.,* 289 F.2d 665 (C.C.P.A. 1961).

---

[4] There is testimony in the record that Allen Homes ran a FOUR SEASONS advertisement in a national trailer dealers magazine.

An Allen Homes corporate officer made a supporting affidavit to the patent office at the time application was made for registration. The affidavit stated that affiant knew of no other person, firm, corporation or association that had the "right to use in commerce said mark on the same goods, either in the identical form or in such near resemblance thereto as might be calculated to deceive." *Compare Schwinn Bicycle Co. v. Murray Manufacturing Co.*, 339 F. Supp. 973 (D. Tenn. 1971); *Nissen Trampoline Co. v. American Trampoline Co.*, 193 F. Supp. 745 (S.D. Iowa 1961).

Elk River contends that because Allen Homes proceeded to obtain trademark registration for "trailers" (Class 19), knowing full well that a Wisconsin company had registered the FOUR SEASONS mark for "factory manufactured buildings and homes" (Class 12) and knowing further that Elk River was using the FOUR SEASONS mark in Missouri, fraud is clearly shown. The trial court regarded the issue as a close one but concluded that fraudulent registration had not been established.

We have carefully reviewed the record. Allen Homes had established first use in the northwestern states. They claimed a right superior to that of Elk River in the midwestern states. The prior knowledge of registration in a separate classification by the Wisconson company certainly does not demonstrate a clear intent to defraud.

Under all the circumstances we find no clear and convincing evidence that Allen Homes committed fraud.

Affirmed.

A true copy.

Attest:

Clerk, U. S. Court of Appeals, Eighth Circuit.

In the United States District Court for the
Western District of Missouri
Southwestern Division

Allen Homes, Inc.,
Plaintiff,
vs.
Jack H. Weersing and Elk River Homes, Inc.,
Defendants.
No. 2271.

MEMORANDUM AND ORDER

(Filed in U. S. District Court January 17, 1974)

I

This is an action maintained by the plaintiff in three counts for federal trademark infringement, federal unfair competition, and common law trademark infringement. The case was submitted on the stipulation of facts contained in Pretrial Order No. 2, and pursuant to the further proceedings had and entered of record at the plenary evidentiary hearing on September 11, 1973. The parties submitted proposed findings of fact and proposed conclusions of law and post-trial briefs, all of which we have carefully considered.

The relevant and material facts are undisputed and are stipulated. For the record, we find all facts as stipulated in Pretrial Order No. 2 and shall make additional findings in the course of this memorandum opinion, filed pursuant to Rule 52(a) of the Rules of Civil Procedure.

It was stipulated the the plaintiff was the first user of the "Four Seasons" trademark. But it was further stipulated that the plaintiff's use of the mark was confined to sales of mobile homes only in the States of Washington, Oregon, Alaska, Idaho and Montana prior to February 1, 1970. The parties' stipulation makes clear that so far as sales in Missouri and other midwestern States, defendants' use of the Four Seasons mark was prior to that of the plaintiff.

Plaintiff's basic argument implicitly assumes that the fact that its prior use of the Four Seasons mark was confined to the group of five Northwestern States named is not a significant and relevant factual circumstance in regard to the determination of the rights of the parties. Plaintiff makes the exceedingly broad argument that "the first user of the trade mark has a right to continue using its trademark and to prevent a second user from using the same trademark in competition with the first user." Plaintiff's factual support for its legal argument based on prior use is necessarily based upon the validity of its assertion that "plaintiff's priority of use of the mark Four Seasons is admitted by comparison of . . . paragraphs 7 and 9 of Section III of Pretrial Order No. 2." Examination of those two paragraphs does not support plaintiff's broad factual claim.

Paragraph 7 stipulated that plaintiff's first use of the Four Seasons mark was on May 16, 1969 in the State of Washington. Paragraph 9, on the other hand, established defendants' prior use in Missouri on February 18, 1970. Plaintiff's reliance upon *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.* (8th Cir. 1926), 15 F. 2d 920, to support its contention that "plaintiff's prior use and expansion of the use of the mark gives the plaintiff prior rights over defendant;" is untenable.

Defendants properly rely upon principles articulated in *Hanover Milling Co. v. Metcalf*, 240 U.S. 403 (1916) and *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918), and the progeny

of those cases. *Sweet Sixteen* merely made application of those principles to the factual circumstances presented in that case. The factual circumstances presented in *Sweet Sixteen* are clearly distinguishable from those stipulated in this case.

Under the undisputed factual situation in this case, the defendants actually used the Four Seasons mark on mobile homes manufactured by it and sold in the States of Missouri, Arkansas, Oklahoma and Texas before the plaintiff had sold any of its Four Seasons mobile homes in any of those states. It is also clear that, contrary to the factual situation in *Sweet Sixteen*, defendants in this case were unaware of any alleged use or ownership of the Four Seasons mark by plaintiff until receipt of a letter from plaintiff dated June 2, 1970. Plaintiff offered no evidence to the contrary and we find that the testimony of the defendants both in deposition and at the plenary evidentiary hearing was both credible and undisputed.

On the basis of the factual circumstances found, we conclude that *Sweet Sixteen*, which made application of the principles of *Hanover Milling Co.* and *Rectanus*, is clearly distinguishable on its facts. Unlike this case, the defendants in *Sweet Sixteen* had actual notice of plaintiff's prior adoption and use of the words "Sweet Sixteen" to designate its business. The Court of Appeals simply held in *Sweet Sixteen* that on the undisputed facts presented in that case it was outside the general rule of *Hanover Milling* and *Rectanus* and that such case fell within the exceptions stated therein.

Our finding and conclusion that this case is controlled by those two Supreme Court cases is consistent with the treatment given those two cases by the Eighth Circuit in other cases decided since *Sweet Sixteen*. *Griesedieck Western Brewery Co. v. People Brewing Co.* (8th Cir. 1945), 149 F. 2d 1010, involved the "Stag" mark on beer. The trial court's judgment for the defendant was affirmed, the court holding that "the right to the exclusive use of a trade-mark or trade-name is limited to the

territory or market wherein it has become established by use in such territory" and that "the mere adoption of a trade mark does not have the effect of preempting and preserving as a claim of territorial rights over territories into which the owner may thereafter desire to extend his trade." The trade territories of the parties involved in that case were only 500 miles apart. The court concluded that under such circumstances "the market of each is remote from that of the other."

While plaintiff's witness initially claimed that "we consider ourselves national and our market area would be the entire continental United States," [Bernard Lechner's deposition, p. 6] he readily conceded that "if market area is limited in definition to where we would have shipped coaches, it would have included the states . . . within a 700 or 800 miles radius of an existing plant." The only plant operated by the plaintiff in 1969 was located in Olympia, Washington [Ibid., p. 7].

Hanover Milling Co. and *Rectanus*, together with *Sweet Sixteen*, "furnished the guide to the law to be applied" in *Katz Drug Co. v. Katz* (8th Cir. 1951), 188 F. 2d 696 at 699. While that case involved a family name situation, the Court of Appeals expressly affirmed the trial court's declaration that "an injunction [to protect exclusive enjoyment of a trade name] must be limited in regard to territory." See also *Cook Chemical Co. v. Cook Paint & Varnish Co.* (8th Cir. 1950), 185 F. 2d 365.

We do not deem it either necessary or appropriate to discuss other Eighth Circuit cases in any detail. We note, however, that the second reversal in the *SweeTarts* litigation, see *Swee-Tart v. Sunline, Inc.* (8th Cir. 1971), 436 F. 2d 705, involved a misconstruction given by the district court to both *Sweet Sixteen* and to the Court of Appeal's earlier references to that case in its prior reversal of the district court, as reported in 380 F.2d 923.

It should be added that Section 1115(b)(5), Title 15, United States Code, is, generally speaking, a codification of the rules

of decision established by the *Hanover Milling Co.* and *Rectanus* line of cases. We therefore conclude that under the factual circumstances of this case, the defendants have an absolute defense against any charge of infringement for the reason that it is clear from the facts as we find them that defendants' use of the mark in the area involved was without knowledge of the registrant's prior use in the entirely different and remote geographic area established by the factual circumstances of this case.

II

Defendants' counterclaim for false and fraudulent registration presents a closer and more difficult question. Defendants satisfactorily established that plaintiff designated "trailers" in its application in order to avoid attempting to obtain a classification under Class 12. Plaintiff obtained a mark under Class 19 (Int. Cl. 12) and obviously avoided attempting to proceed under Class 12 because the patent office had granted a prior Four Seasons registration to a company in Wisconsin for a Class 12 registration which covered "factory manufactured buildings and homes." Class 19 (Int. Cl. 12) also included "mobile homes," hence, the controversy over whether a "mobile home" was or was not a "trailer." Plaintiff had knowledge of the registered Four Seasons trade-mark in Class 12 at the time plaintiff applied for its Class 19 (Int. Cl. 12) mark for a trailer. Indeed, the picture of the mark submitted by plaintiff effectively concealed the type of equipment upon which it was used. In addition to those circumstances, the evidence establishes that in spite of plaintiff's knowledge of defendants' use of a Four Seasons mark in Missouri, plaintiff's corporate officer, who was also a lawyer, made a supporting affidavit to the patent office stating that "to the best of his knowledge and belief, no other person, firm, corporation or association has the right to use in commerce said mark on the same goods, either in the identical

form or in such near resmblance thereto as might be calculated to deceive; and the facts set forth in this application are true."

In support of its counterclaim, defendant relies primarily upon *Walworth Co. v. Moore Drop Forging Co.* (1st Cir. 1927), 19 F. 2d 496; and *Bart Schwartz International Textiles, Ltd. v. F.T.C.* (U.S.C.C. & P.A.), 1961, 289 F. 2d 665. Plaintiff contends that both cases are distinguishable on their facts.

While we do not agree that it may be said, strictly speaking, that the cases are completely distinguishable on their facts, we are of the judgment that the factual circumstances established in both the cases relied upon by the defendant presented a greater quantum of factual circumstances to command and support a finding that the party claiming fraudulent registration had sustained the burden of proof which rested upon him under the applicable law.

We believe the evidence supporting defendants' claim in this case is of greater quantum than that ruled upon by Judge Stephenson in *Nissen Trampoline Co. v. American Trampoline Co.* (S.D. Iowa 1961), 193 F.Supp. 745. But we also believe that the evidence is nevertheless insufficient to sustain defendants' claim and that we must make the same finding and reach the same conclusion as that reached by Judge Morton in *Schwinn Bicycle Co. v. Murray Manufacturing Co.* (M.D. Tenn. 1971), 339 F. Supp. 973. Judge Morton, with a compare citation to Judge Stephenson's opinion in the *Trampoline* case, concluded that the evidence was not sufficient to justify a holding that any officer had knowingly made any inaccurate or misleading statement. The same form of oath was involved in that case as is involved in this case. Judge Morton concluded, as we must, that "the statements of the Schwinn officials can reasonably be construed to have resulted from inadvertence or ignorance of the applicable law of trademarks."

Although we deem this to be an extremely close case on the facts, we therefore find and conclude that the defendant has not carried the burden of proof in regard to its counterclaim for false and fraudulent registration and therefore may not prevail on that claim.

III

In order that the rationale of our decision be clear for any possible appellate review, we make the findings and conclusions proposed by the defendant as they relate to its prior use defense and refuse to make defendant's proposed findings as they relate to their counterclaim. While many of the findings suggested by the plaintiff accurately state stipulated facts, we believe the record will be more clear if we deny all of plaintiff's suggested findings and plaintiff's suggested conclusions.

It is not necessary to reach the claim of invalidity of the Four Seasons mark for the reason that the defendants are no longer using the mark nor have they given any indications that they intend to use the mark in the future. Indeed, it is clear that prior to the filing of this case, the defendants in fact sent every decal which included the designation "Four Seasons" to counsel for the plaintiff. We have sometimes wondered during the processing of this case why plaintiff felt it necessary to seek further relief.

For the reasons stated, it is

Ordered (1) that plaintiff should be and is hereby denied all relief and its complaint should be, and the same is hereby, dismissed. It is further

Ordered (2) that defendants are not entitled to recover upon their latest amended counterclaim and such counterclaim should be and the same is hereby dismissed. It is further

Ordered (3) that each party shall bear their respective costs.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
January 16, 1974

ORDER

(Filed in U. S. District Court February 28, 1974)

This case currently pends on defendants' motion pursuant to Federal Rule of Civil Procedure 52 (b) to amend the findings of fact and judgment entered by this Court on January 16, 1974.

We have read and considered the briefs submitted by both parties and we have concluded that defendants' motion should not be granted.

For the reasons stated, it is

Ordered that the defendants' motion under F.R.C.P. 52 (b) should be, and the same is hereby denied.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
February 28, 1974

ORDER

(Filed in U. S. District Court March 8, 1974)

This case currently pends on plaintiff's motion pursuant to Federal Rule of Civil Procedure 52 (b) to amend the findings of fact and judgment entered by this Court on January 16, 1974.

We have read and considered the suggestions submitted by plaintiff and we have concluded that plaintiff's motion should not be granted.

For the reasons stated, it is

Ordered that plaintiff's motion under F.R.C.P. 52 (b) should be and the same is hereby denied.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
March 8, 1974